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***Delaware Public Service  
Commission & State Agency  
Bid Evaluation of RFP for New Power  
Generation Capacity***

Meeting – February 27, 2007

# Key Points



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- Our evaluation and ranking is consistent with the Independent Consultant's report
- With the exception of the Conectiv bid, the combined scoring results on two of the major considerations (price and price stability) are at less than 50%.
- Not only did the results not deliver the benefits sought by the legislation, but the bids carry significant risk which we have pointed out at every step of the process.

# Delmarva's Point Scoring results of RFP Bid Evaluation



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- *Delmarva's point scoring results are consistent with that of the Independent Consultant*
- *None have attractive overall scores, especially the two lowest.*
- *Conectiv was ranked the highest in the overall bid evaluation scores for each of the bids with a score of 66.7. Bluewater's and NRG's highest ranked bids scored, respectively, 50.4 and 20.5.*

## OVERALL BID EVALUATION SCORES

	Maximum Points	BWW -N 25 Yr	BWW - N 25 Partial	BWW - S 25 Yr	BWW - S 20 Year	NRG 25 Year	NRG 20 Year	Conectiv Base	Conectiv Alternative
Non-Price	40.0	24.7	24.7	24.7	24.7	20.0	20.0	27.0	27.0
Exposure	6.0	0.3	0.3	0.3	0.6	0.0	0.3	5.3	5.3
Contract	1.0	0.6	0.6	0.6	0.6	0.2	0.2	0.7	0.7
Price	33.0	4.8	4.0	1.8	0.0	0.0	0.0	28.8	33.0
Price Stability	<u>20.0</u>	<u>20.0</u>	<u>14.2</u>	<u>NA</u>	<u>NA</u>	<u>0.0</u>	<u>0.0</u>	<u>NA</u>	<u>0.7</u>
TOTAL	100.0	50.4	43.8	NA	NA	20.2	20.5	NA	66.7

Sourced from February 21, 2007 RFP Evaluation Report by Delmarva Power, Page 14 (Table 2.1.1).

# Price and Price Stability



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*These bids do not provide the two most important (by weight) benefits envisioned by the legislation and none of the bid results had a strong score:*

- *All bids increase prices going forward beyond market projections, with the highest being NRG at \$5.2 Billion*
- *None of the bids provides significantly more stable prices for our customers, especially when weighed against the high risk these long term contracts carry.*

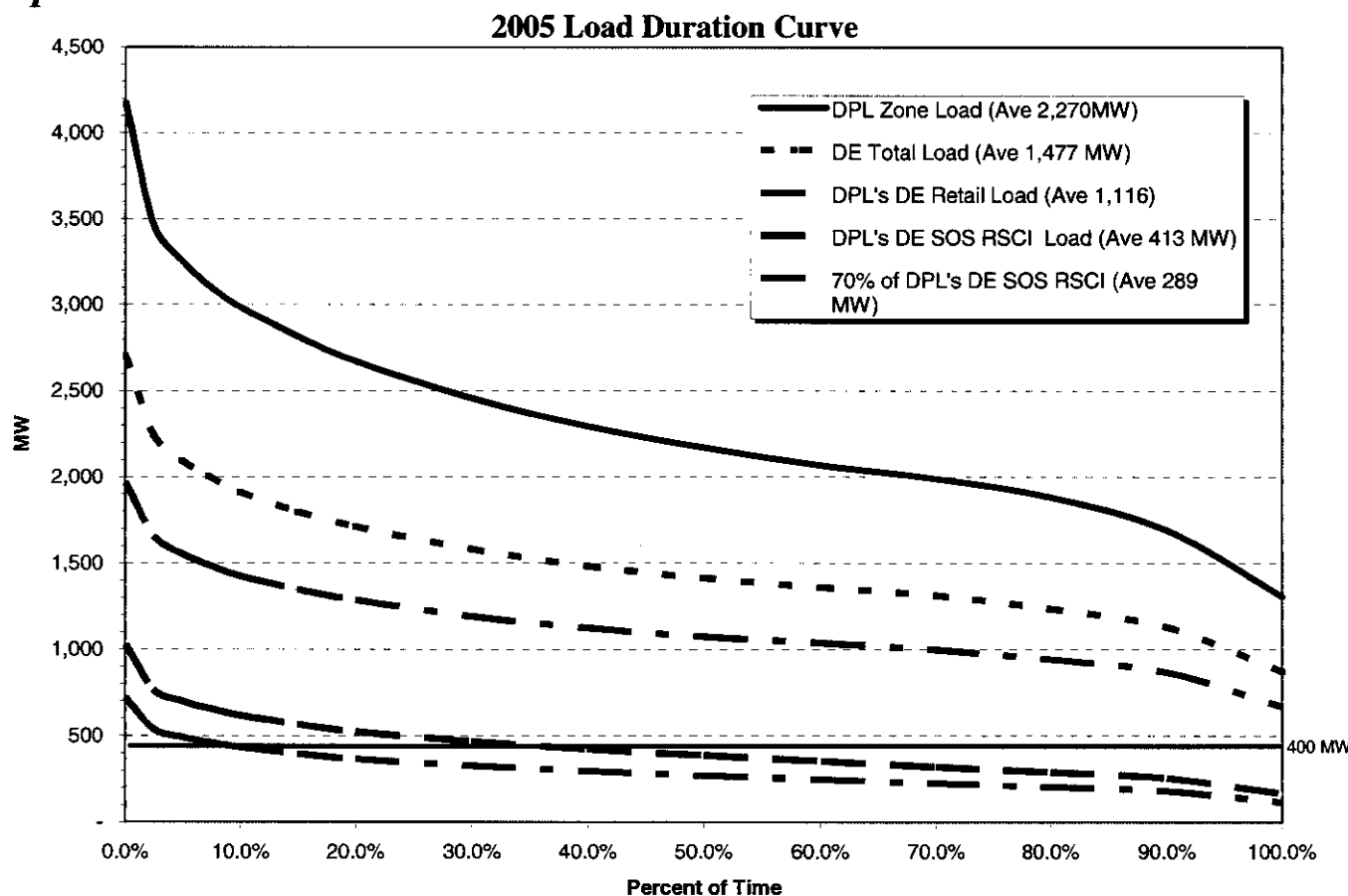
	<u>BWW-N 25 Yrs</u>	<u>BWW-N 25 partial</u>	<u>BWW-S 25 Yrs</u>	<u>BWW-S 20 Yrs</u>	<u>NRG 20 Yrs</u>	<u>NRG 25 Yrs</u>	<u>Conectiv Base</u>	<u>Conectiv Alternative</u>
Incremental Cost over market projections (Billions)	\$ 2.0	\$ 2.1	\$ 2.2	\$ 2.2	\$ 3.9	\$ 5.2	\$ 0.2	\$ 0.1
Price stability impact - % of market price variability remaining with SOS customers	64%	74%	N/A	N/A	105%	106%	N/A	99%

## Risk Components – All bids are larger than our customers needs



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*A contract for 400 MW of new generation would be procuring far more energy than our SOS customers need forcing a small subset of customers to fund generation that is servicing a far greater population.*



*Sourced from February 21, 2007 RFP Evaluation Report by Delmarva Power, Page 12 (Figure 1.4.1).*

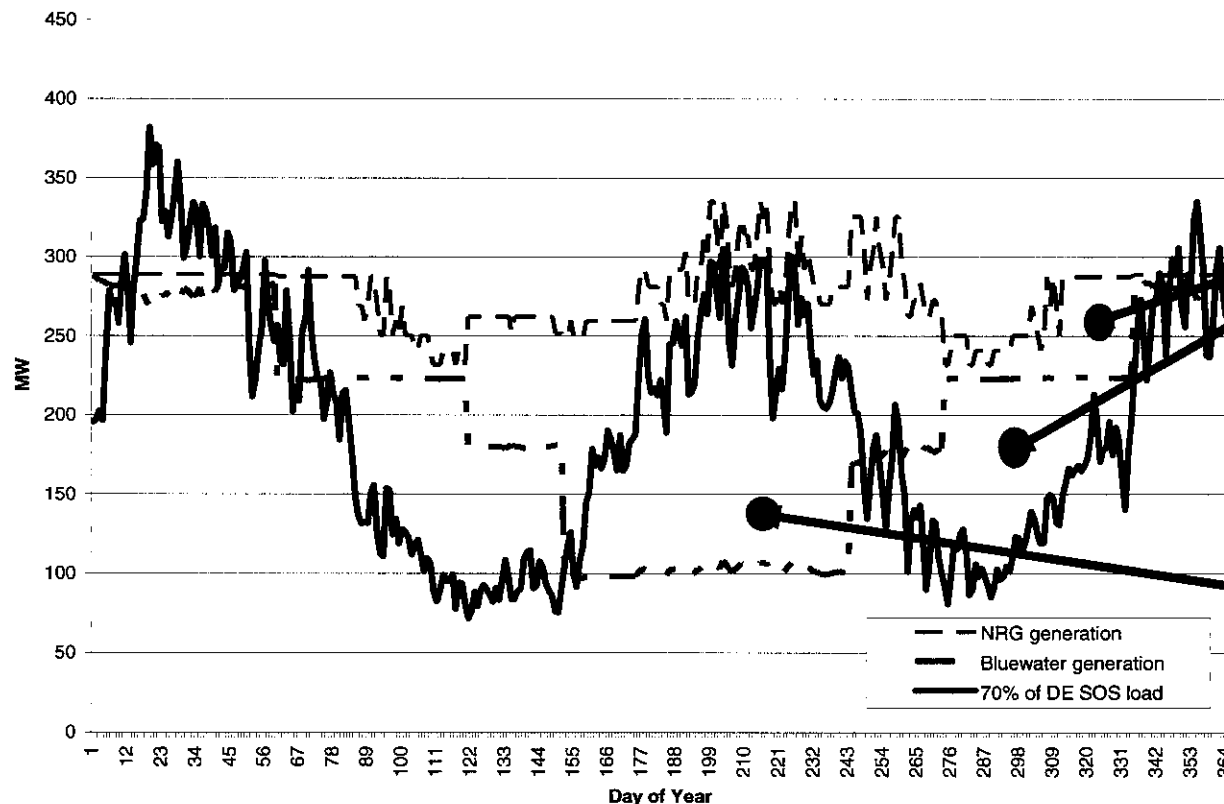
- The load being served by this RFP is a small part of the Delmarva Power total load as can be seen on this chart.
- Large RFP bid sizes were far more than needed for the actual SOS load and will be a substantial cost with added risk placed on our customers.

## Risk Components – Firm versus load following bids are a step back



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*SOS customers incur price variability any hour that the energy to be purchased from the bidders is not identical to the SOS load requirement. The current SOS process provides for far less risk to our customers and requires suppliers to match the load of our SOS customers.*



- SOS customers are oversupplied with energy which must be sold back to the market.
- SOS customers are undersupplied with energy which must be purchased from the market.

Illustrative for 2015

Daily midnight-8am average.



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## **Risk Component – Long Term contracts carry significant risk, not appropriately captured in the evaluation**

- These risks include:
  - the technologies\* not performing as claimed by the bidders,
  - bidders not performing under the obligations of the contract (default risk),  
and
  - usage of SOS customers not equaling the forecasted usage.

*\* Greater operational uncertainty exists with two of the bidders' proposals: NRG's and Bluewater's proposed IGCC and off-shore wind technologies are not in use anywhere at the scale proposed in this RFP.*



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## **Conclusions – RFP and Action Plan of Delmarva**

- Although it is important to complete the public input phase of this evaluation and defend the results, we have seen enough in our current analysis to clearly indicate these contracts are not in the best interest of our customers.
  - No price benefits and potentially significant incremental price with BWV and NRG bids.
  - Minimal impact on price stability and even the potential for increased price volatility in NRG bids.
  - Significant risk introduced by these bids that does not exist in the current SOS process.
- Although we felt it was important to consider these bids in the context of the IRP, given we used common assumptions in the evaluation of the RFP's and the IRP, we see no change in the conclusions of the IRP resulting from these bids.
- We recommend continued reliance on the recently updated SOS bidding process, aggressive DSM implementation, investment in transmission system assets as laid out in the Mid Atlantic Power Pathway project and securing moderate amounts of renewable resources to meet our needs going forward, as outlined in the IRP.